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NATIONAL INTELLIGENCE DAILY CABLE

Saturday January 8, 1977

CG NIDC 77-006C

State Department review completed

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NATIONAL SECURITY INFORMATION

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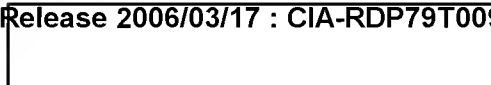
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National Intelligence Daily Cable for Saturday, January 8, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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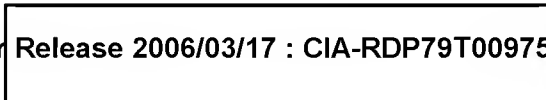
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USSR-US: Undisguised Pressure

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[] The USSR is accusing President Ford's administration of putting pressure on President-elect Carter in order to damage the process of detente. Attacks against opponents of detente have long been standard fare in Soviet commentary but direct attacks against President Ford have been rare.

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[] In some unusually mean-tempered articles, the Ford administration has been accused of using its last days to increase military expenditures and to deploy new strategic weapons systems. An article in *Izvestia* on Wednesday takes the President personally to task for siding with the military-industrial complex in this regard. A Tass commentary on Thursday by veteran Soviet observer Valentin Zorin charged President Ford with trying to "interfere openly in the affairs" of his successors.

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[] For the past several days, Soviet media have been describing the controversy in the US over intelligence estimates of Soviet strategic objectives as part of a campaign to "tie Carter's hands in foreign policy." Soviet commentary thus far has not acknowledged that the debate in the US has focused on the issue of whether the USSR is seeking superiority over the US in the development of Soviet strategic forces. The Soviets have always tried to avoid being drawn into a direct exchange of charges and countercharges about specific force levels.

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[] The Soviet media campaign began the first of the year and is directed from the highest level. At least one Soviet official has privately implied that Zorin's commentary can be considered the semi-official Soviet response to US efforts to reactivate the arms race. US embassy officers in Moscow have heard from other sources that the Soviets attach particular significance to the Zorin article.

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[] President-elect Carter continues to receive friendly handling from Soviet sources. General Secretary Brezhnev, in an interview last week, credited him with an "understanding of the urgency" of outstanding Soviet-US differences. Soviet news media repeatedly refer to his campaign pledges about a commitment to detente and to continued cooperation with the USSR.

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USSR-EGYPT-SYRIA: Relations

25X1 [] //The USSR is expressing concern that the rapprochement between Egypt and Syria will have negative consequences for Moscow's relations with Damascus.//

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25X1 [] //The Soviets have also interpreted Saudi Arabia's growing influence in both Egypt and Syria as a setback to their interests. Soviet commentary has privately accused the Saudis of acting as US proxies in the Middle East, and Moscow presumably believes that the linkage between Egypt, Syria, and Saudi Arabia is an indirect US effort to reduce Soviet influence in the Arab states.//

25X1 [] Soviet press coverage of Asad's visit to Cairo in December indicated that the USSR did not approve of Egyptian-Syrian efforts to establish a "command structure for unified policy." The Saudis are firmly associated with these efforts toward reconciliation as well as any joint approach by Egypt and Syria towards peace negotiations.

25X1 [] Moscow gave scant attention to Asad's meetings in Cairo and virtually ignored the Egyptian and Syrian references to forming a unified political command. Tass also was ostensibly skeptical of any possibility of a rapprochement between the two countries; the question of a rapprochement was ignored elsewhere in the Soviet media.

25X1 [] //The USSR fears that Damascus, which has hitherto shared Moscow's opposition to the US-negotiated Sinai II accord, is falling into line with Egypt's view that the US holds the key to a comprehensive settlement in the Middle East. The Soviets already have heavily criticized the Egyptians for emphasizing the US role in the Arab-Israel settlement process. The Soviet-Syrian relationship is still emerging from the low point reached during the fighting in Lebanon and is in a delicate stage that precludes any heavy-handed Soviet criticism of the Syrians.// []

FRANCE: Socialists Seek US Contacts

25X1 [REDACTED] //The French Socialist Party has authorized two of its senior members, Michel Rocard and Jean-Pierre Cot, to seek "exploratory" contacts with the new US administration during their private visits to the US next week.//

25X1 [REDACTED] //Rocard had already taken steps to set up meetings with officials of the new administration before receiving the authorization of the party.//

25X1 [REDACTED] //The party's executive committee plans to send its foreign policy expert, Robert Pontillon, to the US as an official party representative, probably later this month, to engage in more "concrete" contacts and try to set up a visit to the US by party First Secretary Francois Mitterrand.//

25X1 [REDACTED]

25X1 [REDACTED] //Mitterrand visited the US in late 1975 to try to convince US officials and press that he did not represent a force inimical to the interests of the US--or France and Western Europe. In defense policy, in particular, Mitterrand has said the party should establish a public record of moderation in order to try to forestall criticism by the US and West Germany that could influence French voters.// [REDACTED]

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PANAMA: Labor Problems Possible

25X1 [REDACTED] Observance of the anniversary this Sunday in Panama of the 1964 anti-US riots is likely to be quiet. Labor unions, however, may stage demonstrations to protest new, restrictive labor legislation.

[REDACTED]

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[REDACTED] Any demonstrations would be directed against the Panamanian government rather than the US. The government would move swiftly to ensure that they did not get out of hand. Banana workers in the Atlantic region began a strike protesting the new labor law earlier this week, but union leaders elsewhere do not seem ready to call for a general strike for fear of government retribution.

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[REDACTED] The new legislation ends many of the provisions of a 1972 labor code that measurably increased worker benefits. It freezes existing contracts between employers and unions for two years, limits the right to strike, makes it easier for employers to dismiss workers, and limits annual wage increases to amounts already under contract.

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[REDACTED] Last September, some labor groups showed their dissatisfaction with the government's handling of the economy by supporting student-led disturbances over price rises and increasing unemployment. The revised labor code will result in more complaints and worsen relations between labor and government.

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[REDACTED]

GREAT BRITAIN: Year End Assessment

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[REDACTED] //The NID Cable today prints excerpts from a report by the US embassy in London in which the embassy reviews developments in Great Britain in 1976 and looks ahead to 1977.//

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[REDACTED] //The year 1976 was a dismal one for the British, perhaps the worst year since the end of World War II.//

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[REDACTED] //The most damaging drought for 500 years burned the country brown. June was the hottest month this century. The pound plummeted to \$1.56. Wilson resigned, Callaghan had to cope. A Trotskyite was named the Labor Party's youth organizer. British mercenaries killed each other in Angola. Rabies threatened UK ports. Parliament and parties divided. So did Princess Margaret and Lord Snowden. England lost the cricket test with the West Indies and the World Cup soccer qualifying match in Rome. Britain lost the "Cod War."//

[REDACTED]

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[REDACTED] //Bombs exploded in London, 296 died in Northern Ireland's civil war, the British ambassador was murdered in Dublin, and the European commission on human rights found Britain guilty of torture of internees in Northern Ireland in 1971. The government borrowed a massive \$6.8 billion abroad. The Tate Gallery exhibited 120 bricks in a pile. An American oil company bought the *Observer*. The devolution debate began bitterly at Westminster. Unemployment reached a million and a half, inflation fell to 15 percent.//

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[REDACTED] //December was not any worse. After protracted and painful negotiations with the International Monetary Fund, Chancellor Healey produced an economic package tailored to reduce government borrowing by about \$6 billion over the next two fiscal years.//

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[REDACTED] //Most of the reduction will be achieved by spending cuts, including about \$381 million in defense. The rest will come from excise tax increases. In return, the IMF has approved Britain's request for a standby drawing on its remaining \$3.9 billion in credit facilities. The money will be handed over in stages provided that Britain achieves agreed domestic credit targets.//

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[REDACTED] //The coming cuts in public spending follow the pattern established during a similar exercise in July. They are scattered among the various spending programs and meant to minimize job losses in the public sector. Some observers have concluded that these cuts must lead to reductions in private sector employment, particularly in the construction industry, which already bears a disproportionate share of existing unemployment.//

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[REDACTED] //Even so, the IMF monitoring, the monetary and fiscal targets of the package, and the likelihood of a balance-of-payments surplus in 1978 have helped to restore some confidence in foreign exchange markets.//

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[REDACTED] //Nonetheless, after the December package, few Britons will reach the end of 1977 as well off in real terms as they are now. Continuing wage restraint plus inflation expected to average 12 to 15 percent over 1977 will slice pre-tax income. With real take-home pay dropping by possibly 5 to 6 percent, a fall in consumer spending is all but inevitable.//

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[] //Government spending will be lower in 1977 with the reductions confined largely to capital spending. Overall investment will be slightly reduced in 1977, influenced by lower outlays on housing, the nationalized industries, and the peaking, at least for the moment, of North Sea development spending.//

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[] //The likely rise in manufacturing investment will not offset these declines. The only buoyant elements in the pattern are expected to be net exports and inventory accumulation. Lower levels of imports stemming from weak domestic demand and rapidly increasing North Sea oil output, coupled with rising exports in the wake of the large depreciation of sterling, should produce a margin of net exports consistent with overall economic growth of 1 to 2 percent in 1977.//

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[] //Given such sluggishness, it is unlikely that any progress will be possible in reducing unemployment below its current level (1.3 million or 5.5 percent). In fact, jobless totals could go as high as 1.7 million by the end of the year.//

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[] //In sum, 1977 will be a further tough year for Britain, its economy, and its citizens. Rising unemployment, continued high inflation, and little growth will persist. Although these problems will be somewhat softened in the course of the year by the impact on the balance-of-payments of large flows of North Sea oil, there are still only the faintest signs here that the much discussed shift of resources from current consumption to investment and export on which the UK's economic rehabilitation depends will actually take place. []

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